Chapter 8

Contradictions of Neo-colonialism

The account of Kenyan history in the 1960s which has been put forward in this book has been the result of trying to answer a series of questions posed by underdevelopment theory: what was the nature of the impact of capitalism on the economies of precolonial Kenya; what was the nature of the colonial economy; how did that economy change with the ending of direct colonial rule; what was the role played by social classes in this transition, and in the subsequent course of political change. To the extent that my answers to these questions are valid, what do they collectively imply?

A RECAPITULATION

In the first place, the colonial economy in Kenya was highly monopolistic. Capital was appropriated from the African population through primitive accumulation (land alienation and forced labour) and through wage labour. Some of the surplus flowed to Britain as profits and also through unequal trade. The transition from colonialism to neo-colonialism was a planned one, aimed at preserving the greater part of the monopolistic colonial economic structure in the interests of large-scale commercial, financial and estate capital by coming to terms with those leaders in the nationalist movement - a majority - who represented the new petty-bourgeois strata which had been formed throughout most of Kenya under colonialism. This bargain was sealed in 1961-2 under the pressure of the crisis in the colonial economy. The critical issue was the terms of the transfer of mixed farms in the highlands from Europeans to Africans. The decision that the incoming Africans should pay for the farms at full market value underwrote the position of foreign capital in the remainder of the economy, and the protection of private property in general.

The neo-colonial system was consolidated in the years after 1963 by a combination of policies which had a common double thread running through them: on the one hand, the adaptation of the 'peasant' modes of production to the capitalist mode in new ways, and on the other, the establishment of the new African petty-bourgeois strata within sectors of the economy formerly reserved for foreign capital.

The settlement schemes were planned so as to protect the remaining large farm sector, financed so as to reinforce the regime's commitment to foreign property, and substantially abandoned when further settlement of the smallholding variety seemed no longer to serve the immediate needs of foreign - in this case essentially British - capital. The large farm sector was preserved even though its economically parasitic nature was increasingly admitted, both because its preservation was cheaper than settlement from the point of view of the British government, and because by the mid-1960s it had already become a substantial vested interest of the African petty-bourgeoisie, including many politicians and higher civil servants. The incoming African large-scale farmers were wholly dependent on state-administered foreign capital (as credit) and still more dependent than their white predecessors on monopolies, which they succeeded in extending through their political influence over agricultural prices and in other ways. Meanwhile throughout the rest of the country the systems of land tenure were converted to freehold private ownership: property relations were brought into line with the dominant productive relations so as to ensure that peasant production would be adapted to and would supplement capitalist production, not challenge it.

Foreign capital was on the whole little affected. A modest proportion - probably less than 15 per cent of the total in 1963 -moved out of mixed farming, partly abroad and partly into manufacturing, tourism and other 'growth' sectors. New foreign capital, largely belonging to multinational firms, moved into the same sectors from abroad. These sectors, and the long-established estate sector, remained almost wholly foreign-owned. Profits were high, as was the real level of the transfer of profits overseas. The government sought with some success to control foreign capital, to prevent it exporting surplus accumulated by the employment of domestic savings, to prevent it avoiding taxation and to make it employ Kenyan executives. The government also entered into a number of joint ventures with foreign capital and even bought virtually full ownership of the electricity industry. These measures, however, were conceived largely in the interests of Kenyan Capital; their main immediate effects were a substantial outflow of capital (the purchase price of the government's share acquisitions) and a substantial expansion of credit from the government-controlled banks to Kenyan businessmen. The manufacturing sector remained overwhelmingly foreign-owned. Although the multinationals' Kenyan plants were not always as capital-intensive as their plants in Europe or the USA or Japan, the fact that they were producing for a limited and predominantly middle-class market still made them low users of labour and heavy users of imported inputs. A small section of the wage-labour force obtained large wage increases during the 1960s. The bulk of the wage-labour force, however, was paid as much as its weak bargaining position, in a situation of rising unemployment, enabled it to secure, i.e. low and barely rising real wages. The government's measures to curb the power of the trade unions reinforced this and the share of wages in national income declined

and that of profits rose. Most of the country's wage-workers - about a million people in all -were 'super-exploited', depending for survival on supplementary income from family agriculture.

The Kenyan businessmen whom government measures sought to establish within the capitalist mode of production were principally small retail traders, bar-owners, small-scale transporters, builders, and the like. Their numbers expanded as Asian competition was progressively excluded and credit was channelled towards them on favourable terms. However the pressure from new entrants to 'business', added to shortages of capital and know-how, made their position precarious and what they sought was a protective symbiosis with large-scale foreign capital, or forms of state monopoly which closely paralleled the situation in agriculture. The growth of their numbers, coupled with their strong representation in the government and the higher bureaucracy, enabled them to secure extensive political concessions as well as assistance from foreign capital. At the same time the absolute position attained by African non-agricultural capital by the end of the 1960s only appeared striking in relation to its almost complete exclusion from the urban scene under colonialism; the effective share of the total surplus appropriated by African capitalists remained very modest.

The class structure which both determined and was determined by these developments was still relatively 'plastic' but its essential features were clear. The various petty-bourgeois strata represented by the majority of the political leadership at independence gradually gave rise to an 'auxiliary bourgeoisie' tightly linked to foreign capital. The consolidation of their position involved them in struggles with the mass of the population, the 'industrial peasantry', which took many varied forms: the most dramatic at this period was the decisive defeat of the 'radical' opposition which eventually crystallized in the KPU. Radical politicians among both the Luo and the Kikuyu expressed the hostility to all aspects of imperialism - including its neo-colonial forms - which had been generated during the anti-colonial struggle. They drew support from poor and landless peasants and workers, as well as from various petty-bourgeois elements - especially 'middle' peasants and small traders -who felt deprived of their proper share of state services, licences, contracts, etc. The main reason for the complete defeat of this alliance lay in its own internal contradictions. The political aims of the KPU leaders were essentially petty-bourgeois in character - a 'fairer' distribution of land, more help for the 'little man' in business, and so on - although they were given a socialist flavour both by the established rhetoric of African nationalism, and by the fact that their opponents were so closely identified with foreign capital. Their commitment to parliamentary and electoral politics made them easy game for a regime which did not scruple to alter the rules. More fundamentally, their standpoint made them look for support among an electorate the majority of whom were just in the process

of being confirmed in the individual ownership of land, and whose interests were therefore opposed to those of people whose plots were too small or who were landless. The result was a compromised programme, which eventually succumbed to tribalism. The decisive moment in the defeat of the KPU was not its banning, but Kaggia's decision to abandon it, which in the end only anticipated by about a year the decision of most of the other KPU leaders to exchange their release from prison for an agreement to rejoin KANU. In due course most of them were reabsorbed into the ruling alliance through a variety of salaried appointments.

These processes constituted Kenya's experience of underdevelopment under neo-colonialism. The economy was far from static; during these years, although the poor remained poor, it is doubtful if they became, in aggregate, absolutely poorer. What the mass of the people experienced was, rather, a consolidation of their subjection to the power of capital. This was still overwhelmingly an alien power, though increasingly linked to the political power of domestic capital. It meant a continuation of the structure of exploitation and domination established by colonial rule, which for the vast majority of the population meant a continuing prospect of hard, unproductive labour mainly for the benefit of others, accompanied by growing inequality, insecurity, social inferiority and the virtually complete absence of political rights.

Yet there was nothing permanent or inescapable about this, in Kenya any more than elsewhere. Any impression of an unbreakable structure, locked in a stable equilibrium, is not based in reality but in the way the facts are interpreted. Speaking generally, after all, the evidence of events throughout the third world suggests the reverse: neo-colonialism is a structure of contradictions which elsewhere have progressively transformed relatively indirect and subtle forms of control into more and more direct forms, accompanied by more and more acute political polarization, leading both to military repression and to various forms of armed struggle. In Kenya at the end of the 1960s the contradictions of neo-colonialism had had little time to develop, but this does not mean that they did not exist.

THE ILO MISSION ON UNEMPLOYMENT

An awareness of contradictions underlay the work of the large and authoritative ILO mission on unemployment which visited Kenya in 1972. **[*Employment, Incomes and Equality* (ILO, Geneva 1972).]** They, however, were perhaps bound to assume that the problems which were generated by neo-colonialism - of which unemployment was one - could in fact be overcome within the existing social, economic and political framework. Since the argument of this book is that the contradictions of neo-colonialism make this impossible, a comparison of the mission's analysis with the one offered here should make clearer what these contradictions are.

Possibly to the government's initial surprise the mission began by rejecting the concept of 'unemployment' as its central concern. Instead it concentrated on the fact that the mass of the population, while working, were abjectly poor (the report called them 'the working poor'), while a small minority enjoyed highly rewarding employment. This situation, the mission thought, was due to a fundamental 'imbalance' of the economy, which it proceeded to analyse in some detail.

In the rural areas, the report pointed out, the main cause of unemployment and of unrewarding employment was that many people had little or no land. Young people entering the labour force therefore sought work in the towns, especially Nairobi. But there, modern-sector employment had grown very slowly, thanks to the capital-intensiveness and limited markets typical of foreign-owned manufacturing plants, most of which were import-substituting in the strict sense, producing locally what had formerly been imported - i.e. relatively sophisticated consumption goods for the highly paid few. Employment in such concerns was well paid, and moreover offered especially high rewards to those with advanced formal educational qualifications. Consequently people had been willing to pay a very high price for schooling, and there had been a massive expansion of it, accelerating the flow of people to the towns where the jobs calling for education were to be had. But since there were few such jobs, most of the young migrants eventually found work in what the report called the 'informal sector', meaning economic activities which largely escape recognition, enumeration, regulation and protection by the government. In the towns this accounted for an estimated 28-33 per cent of all African employment.Labour-intensive, competitive, using locally produced inputs, developing its own skills and technology, locally owned and controlled, the informal sector was in the mission's view the model of the kind of economy Kenya needed; but instead of being encouraged to the maximum it was restricted and harassed so that it too failed to furnish adequate incomes to those who were engaged in it.

In a historical chapter the report traced this complex of relationships to the fact that at independence the colonial economy had been taken over largely intact, and that this economy had been structured to yield high incomes for the small white minority; and it also pointed out that the school system, the pattern of government spending, the fiscal and tax system, investment policy, and so on, reinforced this economic structure.

“Since independence, economic growth has largely continued on the lines set by the earlier colonial structure. Kenyanisation has radically changed the racial composition of the group of people in the centre of power and many of its policies, but has had only a limited effect on the mechanisms which maintain its dominance - the pattern of government income and expenditure, the freedom of foreign firms to

locate their offices and plants in Nairobi, and the narrow stratum of expenditure by a high-income elite superimposed on a base of limited mass-consumption.

> *"Unless there is a major change in development strategy and policies, and in the absence of effective and powerful redistributive mechanisms, the heavy concentration of income is likely to continue and may be further intensified in the future. A high degree of income inequality is a characteristic feature of private enterprise economies in an early stage of development. Further, these inequalities tend to be intensified with the growth of the economy over long periods of time. There are reasons to believe that such dynamic factors tend-mg to perpetuate and intensify inequalities may be operative in the Kenyan social and economic system."*

So far the mission's understanding of the problem seems not very different from that of this book. The fundamental difference emerges clearly, however, when the report turns from analysis to making recommendations for rectifying what it sees as the basic 'distortion' which had produced this situation; for the mission treated the situation as capable of being put to rights by a programme of reforms. This had two consequences. One was a series of politically utopian recommendations. The other was, I think, a misrepresentation of the modes of production in Kenya, and their mutual articulation.

The basic thrust of all the recommendations was that if income were distributed more equally the 'working poor' would not only be richer (by hypothesis) but would also constitute a mass market for the expansion of domestic manufacturing and services on labour-intensive lines; an expansion which the mission saw as an essential alternative to an unrealistic as well as undesirable dependence, under existing plans, on further massive inflows of foreign capital.

The main redistributive recommendations were as follows. To generate productive employment for the masses, the one per cent of the population earning over 700 pounds per annum (the rich) would accept a substantial cut in their incomes immediately (through a drastic improvement in tax collection, and a more progressive tax structure) followed by a complete freeze for five years, and thereafter would forego any substantial improvement for a further seven years, to 1985; **[For people with incomes between £200 and £700 a year the mission proposed that increases should be kept below 3 per cent annually: those with less than £200 should get 3 per cent more per annum.]** so that the real incomes of the 'working poor' and the wholly unemployed could be doubled, bringing them by 1985 at the latest up to roughly the level of the legal minimum wage adopted for Nairobi in 1966. This was called 'redistribution from growth'; after the first impact of increased taxation on the rich they would give up any further improvement for

ten to twelve years while all economic growth was channelled into investment designed to raise rural incomes and foster the 'informal' sector of urban employment. This would also be accompanied by a large-scale redistribution of land from large to smallholdings, and a redirection of services like extension and credit towards the mass of really small farmers, together with a varied package of programmes for every district and division on the lines of the Special Rural Development Programme; a complete restructuring of the educational system to provide basic (mainly vocational) schooling free for every child, with an immediate move to a regional redistribution of school places; much tougher terms for foreign investors, with a progressive revision of all existing grants of protection, tightened company taxation, and so on.

The character of these recommendations becomes clearer if they are seen in terms of the various groups whose interests they would affect. To put it in a nutshell, the people who had fought their way to positions of power and wealth in the Kenyatta regime - ministers, MPs, councillors, KANU office-holders and their various clienteles - were to agree to surrender a significant part of the advantage they had gained for themselves and their families. To begin with, they would start paying income tax, or start paying much more income tax, as a result of a drastic tightening of collection (the mission cited evidence suggesting that over 50 per cent of those liable to pay income tax were not assessed), and making the tax progressive. Those with large farms who were seriously in arrears with payments to the AFC or ADC would have their farms taken away and redistributed in smallholdings to the landless. In the longer run, landowners would have to agree to a land tax which would make it essential to sell off land which was not being profitably farmed. The better-off smallholders, teachers, traders and the like who had obtained the larger low-density plots in the Million Acre settlement schemes would be put under similar pressures to subdivide and sell off a large part of their holdings so that this could be redistributed in smaller plots. Those traders, distributors, transporters, owners of service enterprises, in fact all African businessmen who had succeeded in breaking into some more or less protected area of activity, where a more substantial and secure profit could be made, would have to give up their newfound protection so as to give encouragement to the unregulated and competitive (in the mission's terms, ‘informal’) sectors from which they had recently escaped.**[This was the general theme of the mission's many detailed recommendations for cutting down on protection and monopoly profits by a revision of tariff and import quote restrictions, by the effective abolition of restrictive licensing in trading and transportation and of the oligopolies handed out by the KNTC - see especially Chapter 12. But the mission's recommendations for assisting the 'informal sector tended to gravitate in an opposite direction.]** Higher civil servants and company executives would accept a five-year freeze of salary scales (though the mission thought that their annual increments might keep their real earnings level with

inflation), and minimal improvements for seven years beyond that. The areas of the country best provided with services, notably Kikuyu, Embu, Meru, and Machakos, were to give up their lead so that services elsewhere could be brought up to a comparable level. Last but not least, foreign enterprises would pay higher corporate taxation, drastically reduce their profit remittances, and shift away from the capital-intensive technology and imported inputs usually supplied by their parent companies without a significant loss of enthusiasm for investment in Kenya.

The obvious puzzle presented by these proposals is what incentive the mission thought all these groups - the heart and soul of the alliance of domestic and foreign capital - might possibly have for making such sacrifices. Apart from anything else, there was at least a family resemblance between the mission's package of proposals and the essentials of the KPU's former programme. The KPU had not of course worked out a programme as fully or with as much sophistication as the mission; but then the mission did not, for its part, seem to have pondered the significance of the suppression of the KPU. What did the mission think would induce the Kenyatta regime to do in the 1970s what it had not only not done, but had destroyed its opponents for advocating, in the 1960s?

From the report itself it is hardly possible to answer this. In several places the mission cited the principle of ‘growing incomes, equitably distributed' from Sessional Paper No.10 of 1965, as if that formula reflected something more than the homage vice pays to virtue. Here and there one detects the spirit which Marx noted among the French democrats in 1849:

> *“The democrats concede that a privileged class confronts them, but they, along with all the rest of the nation, form the people. What they represent is the people's rights; what interests them is the people's interest. Accordingly, when a struggle is impending, they do not have to examine the interests and positions of the different classes. They do not have to weigh their own resources too critically . .”* **[*The Eighteenth Brumaire,* op. cit. (sec Oh. 7, note 1), p.278.]**

At other times, the mission seemed to suggest that whatever their short-term disadvantages, its proposals were in the long-term interests of the regime. In a final chapter called 'The Cost of Inaction', it wrote:

> *“We realise that in many cases action along these lines may be difficult - politically, administratively, financially and psychologically. It may represent a break with familiar traditions and offend or hurt sectional interests. But when the cost of action is weighed we plead that the cost of inaction may be also considered. Moreover, the cost of dealing with*

problems may be much higher once they pass the threshold of what is considered intolerable, since the opportunities of dealing with them by rational and consistent methods and by national consensus may be greatly lessened . . .

"The frustration of younger people in search of opportunities - frustration instilled by their present preparation for life - may lead to alienation and intolerable tensions . . .
. . . the problem may become insoluble in future, whereas it can still be avoided by timely action." **[*Employment, Incomes and Equality* (note 1), pp. 327-9.]**

But the mission did not make clear what 'intolerable' meant in this context, and the hard fact remained that the 'cost' of inaction, in the future as in the past, would evidently be borne by the 'working poor', not by the leading supporters of the regime. Or did the mission believe that the government's power ultimately depended on the support of the 'working poor'? Perhaps a clue lay in the mission's remark that it was 'not the first group to see parallels with Latin American experience, in which inequality becomes deeply locked into the structure of the country and only the most drastic remedies can change the situation'. But if the mission hoped to induce the government to adopt egalitarian measures out of fear of revolution they were careful not to say so explicitly.

The mission's thinking about the motivation which the government might have for implementing its proposals was unclear; the reason for this lay, however, not so much in particular illusions about the nature of the regime, as in the limitation of its whole approach. It saw clearly enough that within the existing socioeconomic arrangements the problem of unemployment was certainly insoluble. But its thinking was cast within the logic of a social science whose central concepts ultimately embodied bourgeois interests. What it saw, therefore, was not the contradictory reality, but only an 'imbalance'; not a struggle of oppressing and oppressed classes, but only a series of particular 'conflicts of interests which the 'leadership' would resolve, if only from enlightened self-interest, in favour of the common good. The mission saw that poverty and unemployment were connected with 'income inequality' and that this in turn was linked to the role of 'foreign capital' (in the sense of foreign companies producing capital-intensively for narrow markets of relatively affluent consumers). But it did not see that these in turn were an expression of and a condition for, the power structure in Kenya and in the international capitalist system as a whole. They wrote of social or political forces antithetical to their own proposals as 'interests or 'obstacles' which would have to be overridden or overcome, as if there were some further 'interest', independent of these and more powerful, which would respond to its appeal.But the political

power of the compradors, and the political impotence of the ‘working poor’ were also integral parts of the structure of under-development.

Once this is grasped, the central weakness in the mission's analysis can be discerned throughout its argument, and not merely in the utopianism of its recommendations.

For example, although it devoted a chapter of its report to the historical context of the problem, the mission's conception of history was narrow. It saw the contribution of history as one of explaining how the inequality of incomes established in the colonial period (under 'the influence of the colonial government and the European settlers') came to be carried over into the post-independence period. Basically its explanation for this was that for the African leadership, conditioned by years of exposure to the European reference-group, 'the political aim of taking over the economy became merged almost imperceptibly with individual aspirations to take over the jobs, positions and life styles which the economy made possible'; 'the immediate problem appeared to be to take over the economy, not to change it'. The historical context thus became reduced essentially to the reporting of an understandable mistake which, once perceived, could be corrected. How and why the Europeans became established in Kenya in the first place, the relatively epiphenomenal role played by the 'settlers' proper in the penetration of the country by foreign capital, the adaptations of foreign capital to the transitions of independence and to changing world conditions, the emergence of new comprador interests - in a word, the *continuing* forces which produced and reproduce the problem of unemployment in Kenya - were not discussed. Nor were the mechanisms which continually reproduce inequality; inequality was discussed as something which perpetuated itself by mere inertial force, rather than as constantly *developing and evolving* as the result not merely of continued old policies, but of new policies adopted since independence which extended inequality in fresh ways.

Consequently what the mission saw as centrally wrong in the situation was a vicious circle of extreme inequality of incomes leading to a distorted pattern of demand, i.e., very narrow markets for sophisticated goods and services capable of being provided only by protected, capital-intensive concerns using advanced foreign-owned technology and imported inputs, with a consequent further stagnation in the domestic rural and informal sectors, and a further reinforcement of income-inequality. What they wanted was to break this vicious circle by a redistribution of income, giving rise to a wide market for goods and services of a relatively simple kind that could be produced by an expanding locally-owned, labour-intensive industry using local inputs. But the mission also assumed that this change must take place within a capitalist framework. They imagined the rapid expansion of an autonomous local capitalism, reformed and free from contradictions. If the

measures they recommended for achieving this were unreal it was because the goal itself was unreal. The contradictions of capitalism could not be so easily resolved.

In the mission's thinking a key role was played by the concept of the 'informal sector', which it regarded as a major conceptual advance. **[The mission recorded a debt in their thinking about the 'informal sector' to 'a number of sociologists, economists and other social scientists in the Institute of Development Studies at the University of Nairobi' and added: 'One begins to sense that a new school of analysis may be emerging, drawing on work in East and West Africa and using the formal-informal distinction to gain insights into a wide variety of situations' (p.6). Such a development might well express the class outlook of some academics in this situation, but perhaps the mission's demonstration of where such a 'school' would lead may encourage the emergence of a more radical approach.]** The 'informal sector' consisted, according to the report, of economic activities characterized by ease of entry into the activity concerned, reliance on indigenous resources, family ownership, smallness of scale, labour-intensiveness and 'adapted technology', skills acquired outside the formal school system, and unregulated and competitive markets. The question was, the mission said, why this way of doing things provided such low incomes for those who followed it. The answer, it believed, was threefold; first, the low incomes of those it catered for; second, official discouragement, owing to a 'pejorative' official view of the value of such activities; and third, lack of demand from the 'formal sector', public and private. Therefore it proposed that besides increasing the incomes of the poor the government should turn from harassing to fostering the 'informal sector', and should also start placing official orders with it, and inducing firms in the private ('formal') sector to do likewise. From being the Cinderella of underdevelopment the 'informal sector' could thus become a major source of future growth.

But what, after all, is the 'informal sector'? In illustrating the concept the mission generally referred to self-employed craftsmen and the like in the towns: 'a variety of carpenters, masons, tailors and other tradesmen, as well as cooks and taxi-drivers, offering virtually the full range of basic skills needed to provide goods and services for a large though often poor section of the population'; 'the carpenter at work behind his dwelling, the tailor inside an unmarked mud and plaster hut, or the *matatu* [illegal taxi] driver who is out earning fares'.Although the mission's interest in the informal sector' was primarily in its labour-intensive character, it seldom referred to the fact that it consisted also and predominantly of wage-workers; and this also enabled them to write as though the *wholly* unemployed were 'outside' the sector altogether. Yet what stands out about the so-called 'informal sector' is that most of what it covers is primarily a *system of very intense exploitation of labour,* with very low wages and often very long hours, underpinned by the constant pressure for work from the 'reserve army' of job-seekers. The mission

noted evidence that in 1970 the lowest-paid workers in Nairobi worked the longest hours, with about 30 per cent working over sixty hours per week. On smallholdings in the rural areas in 1968 wages were in some places as low as 50 cents a day, and the rate 'most often given' was between 1/50 and 2/- a day**. [Mimeographed draft of J. Heyer, D. Ireri and J. Moris, 'Rural Development in Kenya' (Institute for Development Studies, Nairobi 1969), p.167.]** The 'informal sector' was in fact a euphemism for the particularly intense forms of exploitation to which the articulation of the capitalist and 'peasant' modes of production gave rise, as Engels observed 100 years ago:

> *"Competition permits the capitalist to deduct from the price of labour power that which the family earns from its little garden or field. The workers are compelled to accept any piece wages offered them, because otherwise they would get nothing at all and they could not afford to live from the products of their agriculture alone."* **[The Housing Question', Marx-Engels, *Selected Works* (Moscow 1962), Vol.1, p.553.]**

Or, as the mission put it, '. . . the bulk of employment in the informal sector, far from being only marginally productive, is economically efficient and profit-making . . .'

The mystification of the 'informal sector' also resulted in a degree of self-contradiction. According to the mission, one of the keys to increased employment lay in effecting *links* between the informal sector and the 'formal sector' - i.e. the protected, monopolistic sector of the capitalist mode of production - by increasing the latter's demand for the 'informal sector's' goods and services. Yet the links binding the 'informal sector' to the 'formal sector - links of mutual dependence and mutual antagonism - could hardly be more intimate. What the 'informal sector' does is to provide the 'formal sector' with goods and services at a very low price, which makes possible the high profits of the 'formal sector'. Smallholders provide cheap food crops, pastoralists cheap beef, traders cheap distribution, transporters cheap communications; the owners of workshops making shoes out of old tyres and stoves out of old tins, the sellers of charcoal and millers of maize; all of them provide cheap goods and services designed for the poverty life-style of those whose work makes the 'formal sector' profitable, and enables them to live on their wages.

So what did the mission really mean when it called for links to be made between the 'formal' and the 'informal' sectors - apart from diverting attention away from the central contradiction involved in all these activities? It meant that the sort of links which the monopolistic, mainly foreign sector had *not* previously found it profitable to have with small-scale African firms, and which the government itself had hitherto had with foreign firms, should now be added to the more fundamental

links which already existed between foreign capital and the government on the one hand, and the rest of the economy on the other. Provided the new goods and services which foreign capital would be asked to procure from the ‘informal sector' were cheap enough to compensate them for what they would lose in not buying from their own sources of supply abroad, no doubt it would be happy to collaborate. But this could only happen if, in addition to 'informal' wage-rates remaining extremely low, a good deal of regulation and protection were introduced to govern these transactions. The mission, for instance, envisaged special training schemes for 'informal' producers entering into arrangements to supply goods to 'formal sector' enterprises, together with state loans for new plant, long-term purchasing contracts and the like; what would still be 'informal' - i.e. 'competitive' - about the activities involved in this process would evidently be only the wages paid. **[For instance, the mission recommended: 'the *defacto* policy of awardmg [government] construction contracts to enterprises paying less than official minimum wages could be made official...' (p. 230).]** Consistently enough, the mission's discussion of trade-unionism ('industrial relations') did not even entertain the possibility of an antagonism between workers and employers, let alone regard it as being of central importance. It even wrote that in the rural sector 'it is hoped [it did not say by whom] that increased trade-union activities may help to bring about an improvement in the working and living conditions of rural workers . . . [trade unions] could exert effective pressure when necessary to protect the interests of *small farmers, casual workers and landless labour* . . . ‘

In a word: by talking of two 'sectors' the mission saw a *duality* (the word is theirs) where there was a *unity,* i.e. between the mass of very low incomes in general and the very high profit-levels of the larger, mostly foreign firms; and ignored a vital contradiction, i.e. between the employers and the workers within the so-called 'informal sector'. The effect of the mission's proposals for 'linking' the two 'sectors' (even in the improbable event of its recommendations on income redistribution and the circumscription of foreign capital being implemented) would be primarily to transfer business from high-wage foreign-owned firms to low-wage African owned firms, and to enable a new stratum of the African petty bourgeoisie to transcend the limitations of the competitive market and achieve a measure of protection among the ranks of the auxiliary bourgeoisie. **[One problem not adequately discussed in the report is the extent to which consumer tastes have already been moulded by advertising and Conspicuous consumption by the rich, so that any substantial increase in the incomes of the working poor would expand demand for 'formal sector' products (such as bread, leather shoes, bicycles, etc.) rather than for craft-produced cheap goods.]** Because of the more intensive use of labour by small African firms than by large foreign ones, the problem of unemployment might be relieved. **[This is on the assumption that the steps recommended against the excesses of foreign firms with regard to surplus transfers, etc., and other**

measures, would not reduce the overall growth rate assumed by the mission of a minimum of 6+ per cent per annum. The mission's judgement that their recommendations would not on balance do this seems well supported, but with an important proviso: this would depend on the balance of their proposals being faithfully reflected in the balance of the measures adopted. If they were implemented selectively, and especially if the redistribution of income were much less than they recommended, balance-of-payments constraints and other problems might well reduce the overall rate of growth so that the level of unemployment was not much affected.] It was not clear how the problem of the 'working poor' would be relieved. On the contrary, the real meaning of the mission's proposal about the 'informal sector' was that exploitation should be spread more evenly.

Nor was it clear how, after the initial redistribution of income was brought about, the problem of inequality and unemployment was not to reappear. The mission's treatment of this point was brief, and can be quoted in full:

> *"It cannot be emphasised too much that our strategy is based not on permanent transfers of income to the lowest income group through redistribution from the top, but on investment to provide the unemployed and the working poor with the basis for earning reasonable minimum incomes the levels of which can be raised over time. Initially, the target would be to double the present average income of the lower income group by giving an income to the unemployed and raising the incomes of the working poor. Our hope and expectation is that once this has been achieved the economic system which will have been created as a result of the new strategy will continue afterwards to make for more equal income distribution and an economic growth which is the healthier and faster for being more widely shared and more equitably distributed."*

It would be interesting to know what mechanisms the mission thought would operate in the Kenya of the late 1980s to keep raising the 'reasonable minimum' income levels of the poor, and how the 'economic system' would continue to 'make for more equal income distribution'. The mission also wrote that 'an employment strategy can be sustained only on the basis of a national consensus, when all concerned feel that they benefit fairly'. No example was given of such a consensus about the fairness of the benefits of the distribution of benefits under a capitalist system.

The truth seems to be that the mission brought to its work a broadly 'social-democratic' outlook according to which governments should govern in the interests of the majority. The mission, however, had to address itself to a situation in which

the regime actually rested on the support of foreign and domestic capital. The mission hoped to influence it in an egalitarian direction. But the effect of putting forward an analysis which ignored the contradictions of the situation was that it might be used to legitimize the essential features of neo-colonialism, by representing them as compatible with the progressive, reforming programme suggested by the mission. The historic function of Sessional Paper No.10 of 1965 on African Socialism had been to formulate a 'developmental' ideology adapted to 'comprador' interests. The ILO report indicated how this might next be modified in a populist direction. The result was a new government statement, Sessional Paper No. 10 of 1973 on Employment, which stated that 'in most cases, proposals in the [ILO] report reflect, or are consistent with, current government policies'. Although this new document was rather general in the commitments it made, its main thrust was clear enough. Most of the mission's recommendations on the informal sector would be adopted. Those on the redistribution of income and assets would be adopted wherever they did not seriously offend the established interests of capital, i.e. very circumspectly, if at all, as regards the salariat and the large-scale farmers, for instance, though with more vigour as regards unionized labour; while the government declared itself determined to give priority in all its policies to the 60 per cent of households earning less than £60 per year, and above all to 'those who are absolutely landless and without work and pastoralists in semi-arid and arid areas', and to try to 'provide either a wage job or land to everyone by 1980'. **[*Sessional Paper on Employment* (No.10 of 1973, Nairobi), p.68.]**

The government's claim that the ILO mission's recommendations largely reflected its current policies contained an element of truth: so long as 'populist' policies (such as the SRDP) were compatible with the general interests of the various forms of capital on which the government's power rested they would continue to be adopted, since they strengthened the government's relative autonomy. And for foreign capital, the growth of small-scale domestic capitalism, capable of absorbing the excess growth of the labour-force and preventing the development of absolute pauperization, was desirable on both economic and political grounds. Where the ILO mission differed from the government, was that it was much less sensitive to the interests of the middle and higher bureaucracy, and of the large-scale farmers and the auxiliary bourgeoisie and those pressing to join them; interests which depended on multiple forms of protection and monopoly and were thus basically opposed to the changes which the mission had in mind.

CONTRADICTIONS OF NEO-COLONIALISM

This difference, however, concerns what is, perhaps, the central contradiction of neo-colonialism, in its essential meaning of a system of domination of the mass of the population of a country by foreign capital, by means other than direct colonial

rule. By its nature such dominance requires the development of domestic class interests which are allied to those of foreign capital, and which uphold their joint interests in economic policy and enforce their dominance politically. This system is however unstable. The underdevelopment which begins with colonialism (if not before) and continues under neo-colonialism implies limits to growth and a growing polarization of classes as the exploitation of the masses become more apparent. To avert this, foreign capital seeks a redistribution of income internally (on the general basis exemplified in the ILO report) so as to expand domestic markets and hence production and wage employment. But any substantial redistribution of income is at the expense of the owners of domestic, mainly small-scale capital - i.e. the domestic allies of foreign capital. In the Kenyan situation, too - and this seems likely to be true elsewhere in Africa - a redistribution of income needed to be accompanied by a dismantling of domestic monopolies if it was to have a sustained effect on the growth of internal demand. But these monopolies were also very important to the interests of the domestic petty-bourgeoisie and auxiliary bourgeoisie who, far from wishing to dismantle it, pressed for its extension. They would have much preferred to see a reduction in the level of protection accorded to foreign capital, and in the level of capital exports by foreign firms. The one solution jeopardized the alliance between domestic and foreign capital, and the other threatened the continued inflow of foreign capital on which the neo-colonial economy depended.

Where a domestic bourgeoisie is relatively strong it may, in theory at least, opt to pursue a policy of economic nationalism, with various 'populist' programmes aimed at securing the support of particular elements among the workers and peasants, and at the expense of some elements of foreign capital. But in Kenya, once the opportunities for adopting populist measures at the expense of Asian commercial capital (and settler large-farm capital) were exhausted, the continuing dependence of the African petty-bourgeoisie and auxiliary bourgeoisie on foreign capital seemed more likely to lead to a policy of wage controls and of land distribution which would as far as possible redistribute income between different sections of the 'industrial peasantry', rather than between the middle classes as a whole, and workers and peasants as a whole. In that case there would be a gradual intensification of the exploitation of labour, with the risk of a growing politicization of the masses. At the same time the conflicting interests of domestic and foreign capital, and of different sections of domestic capital (large-scale farmers, small-scale manufacturers, importers, rentiers, etc.) would tend to weaken the alliance of the different interests supporting the regime, with potentially serious consequences in the succession crises to which any 'bonapartist' government is necessarily prone.

The sort of structural constraints with which the ILO mission was mainly concerned were symptoms of such contradictions, and could not be removed unless the

contradictions were resolved. Moreover, focusing on such constraints leads to rather uncertain conclusions when they are abstracted from the antagonisms between classes. The mission, for instance, seems to have been particularly concerned that Kenya was about to encounter a serious balance of payments problem, which could not be solved by any realistically foreseeable level of capital inflows, and which would lead to a declining rate of growth, rising unemployment, and hence perhaps to political unrest which could have further repercussions on foreign investment, tourism, etc. An interesting early paper by one of the members of the mission went a good deal further than the mission's final report in developing this line of thought:

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(a) agricultural stagnation resulting from adverse terms of trade, urban migration and low rates of surplus and reinvestment, leading to urban food shortages and structural inflation;
(b) continual balance of payments crises requiring dependence upon foreign finance to a growing degree, and perhaps to repeated devaluation;
(c) non-competitive domestic industrial sector with powerful trade unions, resulting in employers and unions forcing up import and food prices, further feeding inflationary tendencies; and
(d) increased urban migration as agricultural terms of trade deteriorate, resulting in explosive growth of shanty-towns around Nairobi.

> *"In brief, the present strategy provides the ingredients for secular stagnation, and must be seen as an underdevelopment strategy. It seems quite possible that Kenya can achieve this state much more rapidly than Latin American countries have managed to do."* **[John Weeks, 'Imbalance Between the Center and the Periphery in Kenya: A Diagnosis and a Strategy', n.d., mimeo, p.8. I am grateful to Dr Weeks for an opportunity to consult this paper.]**

Yet although such fears may have been justified, a very large number of other factors enter into the total situation, making all such models of rather doubtful value as guides to policy. Population pressure might be absorbed by further land transfer from foreign owners, by irrigation to bring more land into production, and by a continuing reduction in plot sizes made possible by improved technology. Export markets for many crops might greatly expand, and the terms of trade, which moved sharply against Kenya in l973-4, might improve later; new policies and new technologies might expand the use of labour in manufacturing more rapidly than in the past; and so on. In other words, models of this kind are not crystal balls which hold the secrets of the future; and for the same reasons it would be dogmatic and mechanical to assert that neo-colonialism and underdevelopment must inevitably

lead to revolutionary change in Kenya as a result of inevitable social and economic crisis.

On the other hand, it is equally dogmatic, and highly misleading, to regard the social and political system which had emerged in Kenya by the end of the 1960s as 'stable'. The post-independence years were exceptionally favourable for the consolidation of neo-colonialism. Even so, those years had witnessed some intense class struggles. The initiative in these was taken by the African petty-bourgeoisie (against settler and Asian capital, and against wage-workers and the poorer peasants) and by large-scale foreign capital (against organized labour). In the course of these struggles the power of the state was used forcefully to give the petty-bourgeoisie the various forms of protection it wanted, to subdue the unions and to progressively eliminate political opposition. The result was a structure of social control, based on clientelism, and of ideological domination based on a mixture of tribalism, 'free enterprise' ethics and 'development doctrines; reinforced by a restrained but effective system of repression, in which organized opposition was outlawed. The 'stability' of Kenya in 1971, on which it was so frequently congratulated by western journalists, was therefore an appearance which resulted directly from the assertion of state power by the currently dominant combination of classes, and did not reflect the underlying reality of increasingly sharp social and economic contradictions.

It was, in fact, obvious to everyone that when Kenyatta, then in his seventies, left the political scene, the problem of succession which is inherent in bonapartism would reveal these contradictions again. The balance of forces within the ruling alliance, which reflected Kenyatta's special position in the country, would be upset and, in the ensuing struggle for power, class forces which had been repressed would quite likely be released. This could apply to the organized workers, to landless and unorganized rural workers and to the urban unemployed, whose struggles for the time being were manifested largely in indirect forms, such as absenteeism, illegal squatting, crop theft, organized urban crime, and so on. It would apply in a different way to the army, where the immediate question of succession was likely to be settled.

On a longer view, however, the forces which would ultimately combine to transform the social and economic order in Kenya were - like those which produced underdevelopment - regional and international, as well as national. Developments in neighbouring countries, especially Tanzania and Uganda, and elsewhere on the continent - particularly in the liberation struggles in southern Africa - would have very important consequences for the future course of struggles inside Kenya. So would the vicissitudes of the international capitalist system generally, as the long

boom of the 1950s and '60s began to give way in the early 1970s to a period of uncertainty, monetary crisis and the risk of recession.

The resulting processes of change which would be generated in Kenya would, however, certainly be prolonged, and meanwhile it is true that academic studies can contribute little to the effort to achieve new strategies of development grounded in the interests of the mass of those who are currently the victims of underdevelopment. Perhaps the most such studies can do is to try not to obscure the structures of exploitation and oppression which underdevelopment produces, and which in turn sustain it.

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